

VZCZCXRO2311
PP RUEHCN RUEHGH RUEHVC
DE RUEHBJ #3417/01 3560358
ZNR UUUUU ZZH
P 220358Z DEC 09
FM AMEMBASSY BEIJING
TO RUEHC/SECSTATE WASHDC PRIORITY 7325
RUEHOO/CHINA POSTS COLLECTIVE PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEAWJA/DEPT OF JUSTICE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 BEIJING 003417

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E.O. 12958: N/A
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SUBJECT: PRC OFFICIALS DISCUSS IPR PROTECTION AND ANTI-MONOPOLY
COOPERATION WITH FTC COMMISSIONER KOVACIC

REF: A) BEIJING 03115; B) BEIJING 02527

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¶1. (SBU) Summary: China should counter the trend toward
"overprotection of IPR" by regulating "IPR transfer" and combating
IPR "abuse," a Ministry of Commerce (MOFCOM) official said at a
December 9 seminar on Anti-Monopoly Law (AML) enforcement and IPR.
Other Chinese officials and judges at the seminar argued for a
balance between protecting IPR and preventing IPR "abuse." In
December 9-10 meetings with Federal Trade Commission (FTC)
Commissioner William Kovacic and FTC International Affairs Director
Randy Tritell, officials from MOFCOM, the National Development and
Reform Commission (NDRC), and the State Administration of Industry
and Commerce (SAIC) welcomed expanded cooperation between U.S. and
Chinese antitrust agencies, including regular high-level
consultations on policy issues, continuation and expansion of
technical assistance programs, and participation in FTC's
International Fellows Program. End Summary.

Protect IPR or Prevent IPR Abuse?

¶2. (SBU) At a December 9 seminar on AML Enforcement and IPR at
Beijing's University of International Business and Economics,
Chinese officials and scholars debated the importance of protecting
IPR versus preventing IPR "abuse." Chen Fuli, a MOFCOM Treaty and
Law Department official who was recently appointed IPR Attach to
the Chinese Embassy in Washington, said that international pressure
had led to the "overprotection of IPR" in China. He argued that
China should counter this trend by regulating "IPR transfer" and by
using the AML to combat unfair competition and IPR "abuse."
(Comment: Although Chen did not elaborate on the meaning of "IPR
transfer" in this public forum, his comments likely mean that China
should encourage domestic firms' acquiring foreign firms' IPR.
China's recently announced Indigenous Innovation Catalogue has
raised concerns about the possibility of such "IPR transfer." End
comment.)

¶3. (SBU) Officials from the Supreme People's Court (SPC), Ministry
of Science and Technology, MOFCOM Antimonopoly Bureau, and Ministry
of Industry and Information Technology (MIIT) voiced stronger
support for IPR protection. SPC Intellectual Property Department
Chief Judge Kong Xiangjun argued that IPR protection should take
precedence over combating IPR abuse, while his fellow SPC Judge He
Zhonglin commented that judges should "use one hand to protect IPR
and one hand to fight against IPR abuse." MIIT IPR Center Director
Zhao Tianwu argued that China needed stronger IPR protection in

order to promote innovation. Speaking at the seminar, FTC Commissioner Kovacic stressed the complementary nature of U.S. antitrust laws and IPR laws, noting that both sets of laws were aimed at promoting consumer welfare and economic development. He also emphasized the importance of continuous discussions between antitrust enforcement agencies and IPR stakeholders in order to achieve balance between IPR protection and antitrust enforcement.

FTC Discusses MOU with Antitrust Agencies

¶4. (SBU) During December 9-10 meetings with China's three anti-monopoly enforcement agencies, FTC Commissioner William Kovacic outlined FTC views on a proposed MOU between U.S. and Chinese antitrust agencies. Kovacic suggested the MOU should include a plan for regular, high-level consultations on policy issues and the continuation and expansion of training and other forms of technical assistance. He also expressed FTC's interest in enforcement cooperation and information-sharing on individual cases. MOFCOM, NDRC and SAIC officials all welcomed the proposed MOU with FTC and the Department of Justice (DOJ), although SAIC Department of International Cooperation Director General An Qinghu insisted that FTC and DOJ sign separate MOUs with China's three antitrust agencies rather than a general framework agreement signed by all five agencies. NDRC Price Supervision and Inspection Department DDG Chen Zhijiang welcomed FTC's proposal for a framework MOU signed by all five Chinese and American antitrust enforcement agencies and individual work plans between FTC/DOJ and individual Chinese agencies. MOFCOM Anti-Monopoly Bureau Director General Shang Ming expressed hope that the MOU would be signed in the first half of ¶2010.

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FTC to Host MOFCOM Fellow

¶5. (SBU) Commissioner Kovacic told MOFCOM DG Shang that FTC looked forward to hosting a MOFCOM official for a 3-6 month fellowship in ¶2010. The official may be able to be part of an FTC investigative team that would expose him/her to FTC's investigative procedures and best practices. DG Shang said MOFCOM was in the process of selecting an official to take part in FTC's International Fellows Program. NDRC Price Supervision Department DDG Chen Zhijiang also expressed interest in sending an NDRC official to FTC to participate in the Fellows Program.

NDRC, MOFCOM, SAIC Working on AML Implementing Regs

¶6. (SBU) NDRC Antimonopoly and Market Supervision Division Director Zhi Shengmin told Commissioner Kovacic December 10 that NDRC hoped to finalize anti-price monopoly regulations by the end of December ¶2009. Zhi also indicated that AML enforcement agencies and the SPC planned to issue judicial interpretations of AML procedural rules during the course of implementing the law. MOFCOM DG Shang indicated that his agency was seeking authorization from the State Council to amend some existing regulations and work on new ones. SAIC Anti-Monopoly Bureau Director General Ning Wanglu reported that SAIC was in the process of drafting implementing guidelines on IP, monopoly agreements, abuse of market dominance, and abuse of administrative power to restrict competition. Ning welcomed U.S. comments on SAIC's draft regulations, although he did not offer to share the aforementioned draft guidelines.

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